

TYRONE TOWNSHIP
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2008

TYRONE TOWNSHIP
Table of Contents

For the year ended March 31, 2008

Financial Section

<i>Independent Auditor's Report</i>	1
<i>Management's Discussion and Analysis</i>	3
<i>Basic Financial Statements</i>	9

Government-wide Financial Statements:

Statement of Net Assets.....	10
Statement of Activities	11

Fund Financial Statements:

Governmental Funds:

Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	15
Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund.....	16
Fire Special Revenue Fund.....	18

Fiduciary Funds:

Statement of Fiduciary Net Assets.....	19
Notes to Basic Financial Statements	20

Supplemental Information

Individual Fund Statements and Schedules:

General Fund	32
Comparative Balance Sheet	33
Comparative Schedule of Revenues	34
Comparative Schedule of Expenditures	35

TYRONE TOWNSHIP

Table of Contents

For the year ended March 31, 2008

Special Revenue Fund	38
Fire Special Revenue Fund:	
Comparative Balance Sheet.....	39
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	40
Capital Projects Fund.....	41
2007 Construction Capital Projects Fund:	
Comparative Balance Sheet.....	42
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	43
Agency Funds	44
Combining Statement of Changes in Assets and Liabilities	45
Other Information:	
Summary of 2007 Taxes Levied and Collected.....	47

FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

August 15, 2008

The Township Board
Tyrone Township
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Tyrone Township (the "Township") as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major funds and the aggregate remaining fund information of Tyrone Township as of March 31, 2008, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Tyrone Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Malin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

TYRONE TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

As management of the Tyrone Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

Financial Highlights

- The Township's net assets increased by \$53,951 (or 5 percent).
- Total expenses of the Township's programs were \$495,319.
- Total revenues, including all program and general revenues, were \$549,270.
- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$558,934, an increase of \$85,062 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$391,251, or 101 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, roads and parks. The Township has no business-type activities.

The government-wide financial statements can be found on pages 10-11 of this report.

TYRONE TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund, the Fire Fund and the 2007 Construction Fund, each of which are considered to be major funds. The basic governmental fund financial statements can be found on pages 12-18 of this report.

The Township adopts an annual appropriated budget for its General Fund and Fire Special Revenue Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 20-30 of this report.

Government –Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Tyrone Township, assets exceeded liabilities by \$1,138,343 at the close of the fiscal year.

A substantial portion of the Township's net assets, \$579,409 (51 percent), reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TYRONE TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

The Statement of Net Assets provides financial information on the Township as a whole as of March 31, 2008.

	Governmental Activities	
	2008	2007
Assets		
Current assets	\$ 559,325	\$ 500,144
Capital assets	865,348	610,520
Total Assets	1,424,673	1,110,664
Liabilities		
Current liabilities	25,364	26,272
Noncurrent liabilities	260,966	—
Total Liabilities	286,330	26,272
Net Assets		
Invested in capital assets	579,409	610,520
Restricted	51,371	—
Unrestricted	507,563	473,872
Total Net Assets	\$ 1,138,343	\$ 1,084,392

The Statement of Activities presents changes in net assets from operating results for the year ended March 31, 2008:

	Governmental Activities	
	2008	2007
Program Revenues		
Charges for services	\$ 44,404	\$ 38,619
General Revenues		
Property taxes	254,254	267,581
State/intergovernmental revenue	213,374	212,314
Interest earnings	32,896	24,996
Other	4,342	4,431
Total Revenues	549,270	547,941
Expenses		
General government	211,092	224,826
Public safety	199,500	191,641
Public works	9,675	241,968
Community and economic development	11,102	13,612
Recreation and cultural	6,703	5,978
Other township	49,564	61,503
Interest on long-term debt	7,683	—
Total Expenses	495,319	739,528
Increase (decrease) in net assets	53,951	(191,587)
Net Assets - Beginning of Year	1,084,392	1,275,979
Net Assets - End of Year	\$ 1,138,343	\$ 1,084,392

TYRONE TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

Governmental activities increased the Township's net assets by \$53,951. The key elements of this increase are as follows:

- Governmental activities expenses for 2007-08 decreased by \$244,209 compared to 2006-07 amounts due to the lack of any budgeted road improvements projects during the current year and close control of other Township expenses.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$558,934, an increase of \$85,062 in comparison with the prior year. 91 percent of this total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

Tyrone Township's funds are described as follows:

Major Funds

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$430,069 and total expenditures of \$385,502. It ended the year with a fund balance of \$391,251, up from \$346,684 at March 31, 2007.

The *Fire Fund* levies property taxes for fire protection services. The Fund had total revenues of \$116,083 and total expenditures of \$126,959. It ended the year with a fund balance of \$116,312, down from \$127,188 at March 31, 2007.

The *2007 Construction Fund* was initiated in 2007-08 by an installment purchase agreement of \$300,000 to finance the Township Hall improvement project. Interest earnings from the proceeds totaled \$3,118 and capital outlay expenditures of \$251,747 were incurred. The remaining fund balance with which to complete the project was \$51,371 at March 31, 2008.

General Fund Budgetary Highlights

The Township amended the original adopted budget once during the fiscal year to account for various changes in revenues and expenditures near the end of the fiscal year. None of the changes were significant.

TYRONE TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

Capital Asset and Debt Administration

Capital Assets

At March 31, 2008, the Township had a \$1,200,509 investment in a broad range of capital assets, including land, land improvements, buildings and improvements, and furniture and equipment. Current year additions included \$270,648 expended to improve the Township Hall. (More detailed information about capital assets can be found in the notes to basic financial statements.)

Capital asset purchases totaled \$282,378 for the fiscal year with accumulated depreciation increasing \$27,550. The net book value of capital assets at March 31, 2008 is detailed as follows:

	Governmental Activities
Land	\$ 109,483
Land improvements	17,191
Buildings and improvements	611,751
Furniture and equipment	69,409
Vehicles	57,514
	<hr/>
Net Capital Assets	<u><u>\$ 865,348</u></u>

Long-Term Debt

The Township borrowed \$300,000 during the year on an installment purchase agreement to finance the Township Hall improvement project. Principal payments through March 31, 2008 totaled \$14,061, leaving an unpaid balance of \$285,939 at fiscal year end. (More detailed information about long-term debt can be found in the notes to basic financial statements.)

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General and Fire Special Revenue Fund budgets for 2008-09 anticipate a reduction in year end fund balances of \$168,860. This estimate reflects property tax growth within the Township, continuing reductions in state shared revenue and increased road improvement expenditures along with a continuing effort to control/reduce costs within the Township, while continuing to maintain a high quality of taxpayer service.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shelley Worley, Township Clerk, Tyrone Township, 28 East Muskegon, PO Box 275, Kent City, MI, 49330-0275.

BASIC FINANCIAL STATEMENTS

TYRONE TOWNSHIP
Statement of Net Assets
March 31, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 497,561
Taxes receivable (Note C)	20,665
Internal balances (Note D)	8,147
Due from other governmental units (Note F)	32,952
Total Current Assets	<u>559,325</u>
Noncurrent Assets	
Capital assets (Note E)	1,200,509
Less accumulated depreciation	(335,161)
Total Noncurrent Assets	<u>865,348</u>
Total Assets	<u>1,424,673</u>
Liabilities	
Current Liabilities	
Internal balances (Note D)	391
Current portion of installment purchase agreement payable	24,973
Total Current Liabilities	<u>25,364</u>
Noncurrent Liabilities	
Installment purchase agreement payable (Note G)	285,939
Less current portion	(24,973)
Total Noncurrent Liabilities	<u>260,966</u>
Total Liabilities	<u>286,330</u>
Net Assets	
Invested in capital assets, net of related debt	579,409
Restricted for capital outlay	51,371
Unrestricted	507,563
Total Net Assets	<u><u>\$ 1,138,343</u></u>

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Statement of Activities
For the year ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental activities:				
General government	\$ 211,092	\$ 11,963	\$ -	\$ (199,129)
Public safety	199,500	32,441	-	(167,059)
Public works	9,675	-	-	(9,675)
Community and economic development	11,102	-	-	(11,102)
Recreation and cultural	6,703	-	-	(6,703)
Other township	49,564	-	-	(49,564)
Interest on long-term debt	7,683	-	-	(7,683)
Total Governmental Activities	\$ 495,319	\$ 44,404	\$ -	(450,915)
General revenues:				
Property taxes levied for:				
General operations				143,879
Fire				110,375
State revenue sharing				213,374
Interest earnings				32,896
Other				4,342
Total General Revenues				504,866
Change in Net Assets				53,951
Net Assets - Beginning of Year				1,084,392
Net Assets - End of Year				\$ 1,138,343

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2008

	General	Special Revenue Fire	Capital Projects Construction	Total
Assets				
Cash equivalents, deposits and investments (Note B)	\$ 336,248	\$ 109,942	\$ 51,371	\$ 497,561
Taxes receivable (Note C)	11,402	9,263	-	20,665
Due from other funds (Note D)	11,040	-	-	11,040
Due from other governmental units (Note F)	32,952	-	-	32,952
Total Assets	<u>\$ 391,642</u>	<u>\$ 119,205</u>	<u>\$ 51,371</u>	<u>\$ 562,218</u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds (Note D)	\$ 391	\$ 2,893	\$ -	\$ 3,284
Fund Balances				
Reserved for capital outlay	-	-	51,371	51,371
Unreserved:				
Undesignated, reported in:				
General fund	391,251	-	-	391,251
Special revenue fund	-	116,312	-	116,312
Total Fund Balances	<u>391,251</u>	<u>116,312</u>	<u>51,371</u>	<u>558,934</u>
Total Liabilities and Fund Balances	<u>\$ 391,642</u>	<u>\$ 119,205</u>	<u>\$ 51,371</u>	<u>\$ 562,218</u>

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
March 31, 2008

Total governmental fund balances	\$ 558,934
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$1,200,509 and accumulated depreciation is \$335,161.	865,348
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Installment purchase agreement payable	<u>(285,939)</u>
Total net assets - governmental activities	<u><u>\$ 1,138,343</u></u>

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2008

	General	Special Revenue Fire	Capital Projects Construction	Total
Revenues				
Taxes	\$ 143,879	\$ 110,375	\$ -	\$ 254,254
Licenses and permits	31,205	-	-	31,205
State sources	213,374	-	-	213,374
Charges for services	11,963	-	-	11,963
Fines and forfeitures	16	1,220	-	1,236
Interest and rentals	25,290	4,488	3,118	32,896
Other revenue	4,342	-	-	4,342
Total Revenues	430,069	116,083	3,118	549,270
Expenditures				
Current:				
General government	218,909	-	-	218,909
Public safety	67,805	126,959	-	194,764
Public works	9,675	-	-	9,675
Community and economic development	11,102	-	-	11,102
Recreational and cultural	6,703	-	-	6,703
Other township	49,564	-	-	49,564
Capital outlay	-	-	251,747	251,747
Debt service:				
Principal repayment	14,061	-	-	14,061
Interest expense	7,683	-	-	7,683
Total Expenditures	385,502	126,959	251,747	764,208
Excess (Deficiency) of Revenues Over Expenditures	44,567	(10,876)	(248,629)	(214,938)
Other Financing Sources				
Issuance of debt	-	-	300,000	300,000
Net Change in Fund Balances	44,567	(10,876)	51,371	85,062
Fund Balances, April 1	346,684	127,188	-	473,872
Fund Balances, March 31	\$ 391,251	\$ 116,312	\$ 51,371	\$ 558,934

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2008

Net change in fund balances - total governmental funds \$ 85,062

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized
and the cost is allocated over their estimated useful lives as deprecia-
tion expense. This is the amount by which capital outlay exceeded
depreciation in the current period:

Capital outlays	282,378	
Depreciation expense	<u>(27,550)</u>	254,828

Proceeds from the sale of bonds or loans are an other financing source in the
governmental funds, but increase long-term liabilities in the Statement of
Net Assets (300,000)

Repayment of long-term liabilities is an expenditure in the governmental funds,
but it reduces long-term liabilities in the Statement of Net Assets and does
not affect the Statement of Activities:

Repayment of installment purchase agreement	<u>14,061</u>
---	---------------

Total changes in net assets - governmental activities	<u><u>\$ 53,951</u></u>
--	-------------------------

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2008

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 149,100	\$ 139,100	\$ 143,879	\$ 4,779
Licenses and permits	20,100	20,100	31,205	11,105
State sources	200,000	200,000	213,374	13,374
Charges for services	10,900	10,400	11,963	1,563
Fines and forfeitures	100	100	16	(84)
Interest and rentals	12,900	12,900	25,290	12,390
Other revenue	3,950	3,950	4,342	392
Total Revenues	397,050	386,550	430,069	43,519
Expenditures				
Current:				
General government:				
Township board	29,660	29,660	4,158	25,502
Supervisor	22,160	22,160	21,250	910
Clerk	23,915	23,915	23,402	513
Board of review	1,500	1,500	628	872
General administration	10,000	16,021	45,625	(29,604)
Treasurer	27,650	27,650	25,412	2,238
Assessor	27,200	31,900	23,866	8,034
Elections	1,000	2,200	939	1,261
Building and grounds	139,450	139,450	46,670	92,780
Legal and audit	12,500	16,000	12,974	3,026
Cemetery	14,450	17,100	13,985	3,115
Total general government	309,485	327,556	218,909	108,647
Public safety:				
Law enforcement	30,000	30,000	24,577	5,423
Inspections	44,400	44,400	43,228	1,172
Total public safety	74,400	74,400	67,805	6,595
Public works:				
Highways, streets and bridges	54,000	19,586	6,453	13,133
Drains	500	1,989	1,989	-
Street lighting	1,200	1,234	1,233	1
Total public works	55,700	22,809	9,675	13,134
Community and economic development:				
Planning	3,500	3,500	11,102	(7,602)
Recreation and cultural:				
Library	5,700	6,703	6,703	-
Other township	50,700	51,879	49,564	2,315

(Continued)

TYRONE TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2008

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Debt service:				
Principal repayment	\$ -	\$ 15,390	\$ 14,061	\$ 1,329
Interest expense	-	3,248	7,683	(4,435)
Total debt service	-	18,638	21,744	(3,106)
Total Expenditures	499,485	505,485	385,502	119,983
Net Change in Fund Balances	(102,435)	(118,935)	44,567	163,502
Fund Balances, April 1	346,684	346,684	346,684	-
Fund Balances, March 31	<u>\$ 244,249</u>	<u>\$ 227,749</u>	<u>\$ 391,251</u>	<u>\$ 163,502</u>

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Fire Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2008

	Budget	Actual	Variance- Positive (Negative)
Revenues			
Taxes	\$ 113,087	\$ 110,375	\$ (2,712)
Fines and forfeitures	500	1,220	720
Interest and rentals	2,500	4,488	1,988
Total Revenues	<u>116,087</u>	<u>116,083</u>	<u>(4)</u>
Expenditures			
Current:			
Public safety	<u>135,850</u>	<u>126,959</u>	<u>8,891</u>
Net Change in Fund Balances	<u>(19,763)</u>	<u>(10,876)</u>	<u>8,887</u>
Fund Balances, April 1	<u>127,188</u>	<u>127,188</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 107,425</u></u>	<u><u>\$ 116,312</u></u>	<u><u>\$ 8,887</u></u>

See accompanying notes to basic financial statements.

TYRONE TOWNSHIP
Fiduciary Funds
Statement of Fiduciary Net Assets
March 31, 2008

	Agency Funds
Assets	
Cash equivalents, deposits and investments (Note B)	\$ 15,673
Due from other funds (Note D)	891
Due from other governmental units	<u>7,100</u>
Total Assets	<u><u>\$ 23,664</u></u>
Liabilities	
Accounts payable	\$ 2,473
Due to other funds (Note D)	8,647
Due to other governmental units	7,313
Escrow deposits	<u>5,231</u>
Total Liabilities	<u><u>\$ 23,664</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note A – Summary of Significant Accounting Policies

Tyrone Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Board of Trustees which consists of a Supervisor, Clerk, Treasurer and two Trustees, each of whom is elected for a four year term of office. The Township provides the following services to its residents as provided by statute: public safety (fire and inspections), highways and streets, cultural, planning and zoning, general administrative and other services.

The financial statements of Tyrone Township (the “Township”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Township’s accounting policies are described below.

1. The Reporting Entity

The accompanying financial statements present the Township of Tyrone. The Township has no component units, i.e., entities for which the Township is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Fire Special Revenue Fund* accounts for property tax revenues levied to maintain the operations and capital improvements of the Township Fire Department.

The *2007 Construction Capital Projects Fund* accounts for debt proceeds used for the township hall building improvement projects.

Additionally, the Township reports the following non-major fund types:

The *Cash Bond Agency Fund* accounts for the collection of bonds and deposits and the payment to the governmental units or other persons entitled to receive these funds.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes levied for the subsequent fiscal year are presented as deferred revenue at fiscal year end.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the Supervisor, Clerk, Treasurer and the Township Trustees.
- The completed budgets are then presented to Township electors at a public budget hearing in March, at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- Prior to April 1, the budgets are legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-30 years
Buildings and improvements	25-40 years
Furniture and equipment	5-15 years
Vehicles	5-20 years

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

11. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note B – Cash, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a Township in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Township in Michigan.

Balances at March 31, 2008 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:	
Governmental Activities	\$ 497,561
Cash equivalents, deposits and investments of Fiduciary Funds:	
Agency Funds	<u>15,673</u>
	<u>\$ 513,234</u>

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and liquid asset accounts. Deposits consist of certificates of deposit.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Depositories actively used by the Township Treasurer during the year are detailed as follows:

1. Choice One Bank
2. Mercantile Bank

March 31, 2008 balances are detailed as follows:

	Primary Government
Cash equivalents	\$ 289,535
Deposits	134,649
	<u>\$ 424,184</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned to the Township. Protection of Township cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Township's cash equivalents and deposits was \$424,184 and the bank balance was \$444,329. Of the bank balance \$295,308 was covered by federal depository insurance and \$149,021 was uninsured and uncollateralized.

Investments

The Township had balances totaling \$89,050 in the Kent County Surplus Funds Investment Pool at March 31, 2008.

Custodial Credit Risk and Interest Rate Risk

It is the policy of Tyrone Township to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to state and local statutes governing the investment of public funds.

The Township's investment policy states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of discretion to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Funds of Tyrone Township will be invested in accordance with state and local statutes, and in accordance with the following objectives in order of priority:

Safety: Safety of principal is the foremost objective of the investment program. Investments of Tyrone Township shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Liquidity: Tyrone Township's investment portfolio will remain sufficiently liquid to enable the Township to meet all operating requirements which might be reasonably anticipated.

Return on Investments: The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by Tyrone Township shall be conducted on a cash basis (delivery-versus-payment (DVP) basis). Securities will be held by a third party custodian designated by the Township Treasurer and evidenced by safekeeping receipts and determined by the Treasurer.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

Note C – General Property Taxes

Property taxes for the Township and County become due and payable on December 1 of each year. School district taxes become due and payable July 1 and December 1 of each year, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

Property tax revenues are recognized by the Township in the General and Fire Department Special Revenue Funds in the fiscal year levied, to the extent they are measurable and available. The 2007 property tax roll levied December 1, 2007, represents revenue for the fiscal year ended March 31, 2008.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Kent District Library, Grand Rapids Community College, Kent and Newaygo Intermediate School Districts, Grant Public Schools, Kent City Community Schools and Sparta Area Schools. The collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

The Township is permitted by statute (Act 359, Public Acts of 1947, as amended by Public Acts of 1976) to levy up to 1.1 mills of general property taxes on the taxable valuation in the Township. Due to the effect of the Headlee Amendment, actual tax levies were reduced to .9925 mills for 2007-08 general operations.

In addition, Township electors have authorized the Township to levy an additional 1 mill for fire department operations.

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2007	2006	2005	2004
Township taxes levied	\$212,611	\$228,505	\$218,244	\$184,104
Taxes collected:				
Current to March 1	194,154	207,476	198,677	170,789
Total to March 31, 2008	194,154	227,708	218,180	183,996
Percentages of collections:				
Current to March 1	91.32%	90.80%	91.03%	92.77%
Total to March 31, 2008	91.32%	99.65%	99.97%	99.94%

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon Taxable Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the Township for prior years are compared with 2008 valuations in the following summary:

Year	Real	Personal	Total
2008	\$ 97,344,792	\$ 5,535,100	\$ 102,879,892
2007	101,709,520	6,116,000	107,825,520
2006	96,853,954	6,034,600	102,888,554
2005	92,568,117	5,708,800	98,276,917
2004	88,138,771	5,818,327	93,957,098
2003	83,734,936	5,692,800	89,427,736
2002	78,936,459	6,205,800	85,142,259
2001	73,378,039	5,720,000	79,098,039
2000	68,893,161	4,504,700	73,397,861
1999	64,755,769	4,751,200	69,506,969

Note D – Interfund Receivables/Payables

Amounts due from (to) other funds representing interfund receivable and payable balances to correct allocations of property tax collections at March 31, 2008 are detailed as follows:

	Due From	Due To
General Fund:		
Fire Special Revenue Fund	\$ 2,893	\$ —
Tax Account Agency Fund	7,897	391
Cash Bond Agency Fund	250	—
	11,040	391
Fire Special Revenue Fund:		
General Fund	—	2,893
Tax Account Agency Fund:		
General Fund	391	7,897
Cash Bond Agency Fund	500	—
	891	7,897
Cash Bond Agency Fund:		
General Fund	—	250
Tax Account Agency Fund	—	500
	—	750
Total All Funds	\$ 11,931	\$ 11,931

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note E – Capital Assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Balances</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Sales/</u> <u>Retirements</u>	<u>Balances</u> <u>March 31, 2008</u>
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 109,483	\$ —	\$ —	\$ 109,483
Capital assets being depreciated:				
Land improvements	13,289	11,730	—	25,019
Buildings and improvements	519,400	270,648	—	790,048
Furniture and equipment	141,946	—	—	141,946
Vehicles	134,013	—	—	134,013
	<u>918,131</u>	<u>\$ 282,378</u>	<u>\$ —</u>	<u>1,200,509</u>
Totals at historical cost				
Less accumulated depreciation for:				
Land improvements	\$ 7,414	\$ 414	\$ —	\$ 7,828
Buildings and improvements	165,961	12,336	—	178,297
Furniture and equipment	64,308	8,229	—	72,537
Vehicles	69,928	6,571	—	76,499
Total accumulated depreciation	<u>307,611</u>	<u>\$ 27,550</u>	<u>\$ —</u>	<u>335,161</u>
Net Capital Assets –				
Governmental Activities	<u>\$ 610,520</u>			<u>\$ 865,348</u>

Depreciation expense was charged to Township activities as follows:

General government	\$ 13,959
Public safety	<u>13,591</u>
	<u>\$ 27,550</u>

Note F – Due From Other Governmental Units

The receivable of \$32,952 in the General Fund represents 2007-08 State of Michigan sales tax collections paid to the Township subsequent to March 31, 2008.

TYRONE TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note G – Long-Term Debt

Amounts available and to be provided for long-term debt at March 31, 2008 are summarized as follows:

	Debt Outstanding April 1, 2007	Debt Added	Debt Retired	Debt Outstanding March 31, 2008
Installment Purchase Agreement				
September 1, 2007	\$ —	\$ 300,000	\$ 14,061	\$ 285,939

The following is a summary of the debt outstanding of the Township at March 31, 2008:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
Installment Purchase Agreement				
\$300M Building Improvement: Monthly payments of \$3,016	Aug. 21, 2017	4.48	\$ 285,939	\$ 24,973

The annual requirements to amortize all long-term debt outstanding at March 31, 2008 are detailed as follows:

Year Ended March 31	Principal	Interest	Total
2009	\$ 24,973	\$ 12,299	\$ 37,272
2010	26,116	11,156	37,272
2011	27,310	9,962	37,272
2012	28,559	8,713	37,272
2013	29,865	7,407	37,272
2014	31,231	6,041	37,272
2015	32,659	4,613	37,272
2016	34,153	3,119	37,272
2017	35,714	1,558	37,272
2018	15,359	171	15,530
	<u>\$ 285,939</u>	<u>\$ 65,039</u>	<u>\$ 350,978</u>

Note H – Pension Plan/Defined Contribution

On January 1, 2006, the Township established a defined contribution pension plan for all elected officials and certain employees. The Township will contribute 10 percent of annual compensation on a before-tax basis. The employees will contribute 5 percent of annual compensation on an after-tax basis. In addition, the Township will contribute 3 percent of current compensation for each year of an employee's completed years of service to a maximum of ten years. (Past service must be funded over a future period of three years.) Current fiscal year contributions to the Plan totaled \$18,811 on covered wages of \$118,380.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

TYRONE TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 336,248	\$ 310,543
Taxes receivable	11,402	11,510
Due from other funds	11,040	8,474
Due from other governmental units	<u>32,952</u>	<u>34,255</u>
Total Assets	<u><u>\$ 391,642</u></u>	<u><u>\$ 364,782</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ 391</u>	<u>\$ 18,098</u>
Fund Balances		
Unreserved:		
Undesignated	<u>391,251</u>	<u>346,684</u>
Total Liabilities and Fund Balances	<u><u>\$ 391,642</u></u>	<u><u>\$ 364,782</u></u>

TYRONE TOWNSHIP
General Fund
Comparative Schedule of Revenues
For the years ended March 31, 2008 and 2007

	2008	2007
Taxes:		
Current property taxes	\$ 104,824	\$ 99,921
Industrial facilities taxes	1,484	-
Delinquent property taxes	401	406
DNR/other property taxes	-	1,384
Trailer fees	921	1,053
Penalties and interest on taxes	363	105
Property tax administration fees	35,886	34,686
	<u>143,879</u>	<u>137,555</u>
Licenses and permits:		
Building, electrical and plumbing permits	31,025	26,990
Dog licenses	180	110
	<u>31,205</u>	<u>27,100</u>
State sources:		
Sales taxes	209,707	208,644
PA 48/ Metro Act	3,667	3,670
	<u>213,374</u>	<u>212,314</u>
Charges for services:		
Zoning and appeals fees	2,575	750
Summer tax collection fees	7,775	7,164
Parcel split fees	400	350
Sale of cemetery lots	1,213	2,332
	<u>11,963</u>	<u>10,596</u>
Fines and forfeitures:		
Court ordinance fines	16	63
Interest and rentals:		
Interest on deposits and investments	22,515	18,491
Rentals	2,775	3,150
	<u>25,290</u>	<u>21,641</u>
Other revenue:		
Other revenue	500	1,950
Library reimbursements	3,654	2,192
Refunds of expenditures	7	-
Miscellaneous	181	289
	<u>4,342</u>	<u>4,431</u>
Total Revenues	<u><u>\$ 430,069</u></u>	<u><u>\$ 413,700</u></u>

TYRONE TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2008 and 2007

	2008	2007
Current:		
General government:		
Township board:		
Salaries	\$ 3,360	\$ 3,120
Supplies	798	-
	<u>4,158</u>	<u>3,120</u>
Supervisor:		
Salary	21,000	20,000
Office supplies	-	125
Travel and expense	65	313
Education	-	194
Dues and memberships	60	60
Miscellaneous	125	-
	<u>21,250</u>	<u>20,692</u>
Elections:		
Salaries	786	1,577
Office supplies	35	32
Travel and expenses	53	161
Miscellaneous	65	378
New equipment	-	1,506
	<u>939</u>	<u>3,654</u>
Assessor:		
Salaries:		
Assessor	21,817	21,816
Appraisor	-	25,060
Office supplies	1,698	786
Education	166	-
Dues and memberships	185	-
	<u>23,866</u>	<u>47,662</u>
Legal and audit:		
Legal fees	474	3,012
Audit fees	12,500	6,295
	<u>12,974</u>	<u>9,307</u>
Clerk:		
Salary	21,000	20,246
Office supplies	2,078	1,513
Travel and expenses	16	-
Dues and memberships	293	119
Miscellaneous	15	15
	<u>23,402</u>	<u>21,893</u>
Board of review:		
Salaries	549	598
Miscellaneous	79	59
	<u>628</u>	<u>657</u>
General administration:		
Clerical salaries	20,402	20,274
Office supplies	3,927	4,874
Computer technology	16,020	6,385
Telephone	1,595	1,862
Legal notices and publications	629	742

(Continued)

TYRONE TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2008 and 2007

	2008	2007
General administration: (Continued)		
Dues and memberships	\$ 564	\$ 1,075
Miscellaneous	2,488	1,970
	<u>45,625</u>	<u>37,182</u>
Treasurer:		
Salaries:		
Treasurer	21,000	20,000
Deputy	1,155	583
Office supplies	3,010	2,313
Travel and expenses	22	24
Dues and memberships	75	252
Miscellaneous	50	50
Capital outlay	100	-
	<u>25,412</u>	<u>23,222</u>
Buildings and grounds:		
Custodian salary	5,100	5,100
Travel and expenses	23	38
Utilities	14,339	11,468
Repair and maintenance	5,757	3,936
Snow plowing	2,328	160
Miscellaneous	222	154
New equipment	18,901	9,417
	<u>46,670</u>	<u>30,273</u>
Cemetery:		
Sexton salary	5,910	6,683
Gasoline and oil	695	561
Utilities	415	100
Repair and maintenance	2,691	2,748
Miscellaneous	313	143
New equipment	3,961	2,970
	<u>13,985</u>	<u>13,205</u>
Total general government	<u>218,909</u>	<u>210,867</u>
Public safety:		
Law enforcement:		
Kent County sheriff patrol	24,577	20,376
Inspections:		
Salaries:		
Building inspector	27,000	26,780
Electrical inspector	8,383	4,890
Plumbing inspector	1,760	4,200
Mechanical inspector	2,440	540
Office supplies	635	1,101
Professional services	-	1,957
Travel and expense	2,320	2,094
Education	590	-
Dues and memberships	100	100
	<u>43,228</u>	<u>41,662</u>
Total public safety	<u>67,805</u>	<u>62,038</u>

(Continued)

TYRONE TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2008 and 2007

	2008	2007
Public works:		
Highways, streets and bridges:		
Road construction	\$ -	\$ 232,083
Dust layer	6,453	7,541
	<u>6,453</u>	<u>239,624</u>
Drains:		
Drain maintenance	1,989	1,143
Street lighting:		
Utilities	1,233	1,201
Total public works	<u>9,675</u>	<u>241,968</u>
Community and economic development:		
Planning and zoning:		
Planning commission fees	9,000	12,750
Board of appeals fees	860	650
Contracted services	440	600
Miscellaneous	802	(388)
Total community and economic development	<u>11,102</u>	<u>13,612</u>
Recreation and cultural:		
Library:		
Utilities	5,946	5,005
Repair and maintenance	757	343
Miscellaneous	-	630
Total recreation and cultural	<u>6,703</u>	<u>5,978</u>
Other township:		
Social Security taxes	12,950	12,574
Pension plan	18,811	14,608
Insurance and bonds	10,267	8,076
Rubbish removal	6,564	8,353
Miscellaneous	16	111
Tax refunds	956	89
Contribution to Tax Account Agency Fund	-	17,692
Total other township	<u>49,564</u>	<u>61,503</u>
Debt service:		
Principal repayment	14,061	-
Interest expense	7,683	-
Total debt service	<u>21,744</u>	<u>-</u>
Total Expenditures	<u><u>\$ 385,502</u></u>	<u><u>\$ 595,966</u></u>

SPECIAL REVENUE FUND

Fire — to account for property tax revenues and interest earnings used for fire department operations and equipment .

TYRONE TOWNSHIP
Fire Special Revenue Fund
Comparative Balance Sheet
March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 109,942	\$ 126,978
Taxes receivable	<u>9,263</u>	<u>11,277</u>
Total Assets	<u><u>\$ 119,205</u></u>	<u><u>\$ 138,255</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 7,663
Due to other funds	<u>2,893</u>	<u>3,404</u>
Total Liabilities	<u>2,893</u>	<u>11,067</u>
 Fund Balances		
Unreserved:		
Undesignated	<u>116,312</u>	<u>127,188</u>
Total Liabilities and Fund Balances	<u><u>\$ 119,205</u></u>	<u><u>\$ 138,255</u></u>

TYRONE TOWNSHIP
Fire Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2008 and 2007

	2008	2007
Revenues		
Taxes:		
Current operating property taxes	\$ 107,817	\$ 102,234
Current equipment property taxes	-	25,552
Industrial facilities taxes	405	511
Delinquent personal property taxes	785	-
DNR/other property taxes	1,354	1,704
Penalties and interest taxes	14	25
Total taxes	<u>110,375</u>	<u>130,026</u>
Fines and forfeitures:		
Emergency cost fines	1,220	860
Interest and rentals:		
Interest on deposits and investments	<u>4,488</u>	<u>3,355</u>
Total Revenues	<u>116,083</u>	<u>134,241</u>
Expenditures		
Current:		
Public safety:		
Fire department:		
Salaries:		
Fire chief, assistants	30,266	26,500
Firefighters	24,272	27,594
Social Security taxes	4,057	4,138
Supplies	7,357	8,404
Gas and oil	3,391	3,100
Rescue supplies	2,035	2,462
Physical exams	3,139	-
Uniforms	1,111	1,671
Kent County EMS	800	636
County fire assessment	8,086	7,663
Telephone	799	1,169
Education	980	4,005
Insurance and bonds	7,331	6,066
Utilities	8,040	6,801
Vehicle repair and maintenance	2,072	1,548
Dues and memberships	-	100
Miscellaneous	5,508	2,880
Tax refunds	-	45
New equipment	<u>17,715</u>	<u>25,858</u>
Total Expenditures	<u>126,959</u>	<u>130,640</u>
Net Change in Fund Balances	(10,876)	3,601
Fund Balances, April 1	<u>127,188</u>	<u>123,587</u>
Fund Balances, March 31	<u><u>\$ 116,312</u></u>	<u><u>\$ 127,188</u></u>

CAPITAL PROJECTS FUND

2007 Construction — to account for loan proceeds and interest earnings used for Township hall improvements .

TYRONE TOWNSHIP
2007 Construction Capital Projects Fund
Comparative Balance Sheet
March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 51,371</u>	<u>\$ -</u>
Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Unreserved:		
Undesignated	<u>51,371</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 51,371</u>	<u>\$ -</u>

TYRONE TOWNSHIP
2007 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Interest and rentals:		
Interest on deposits and investments	<u>\$ 3,118</u>	<u>\$ -</u>
Expenditures		
Capital outlay	<u>251,747</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	(248,629)	-
Other Financing Sources		
Issuance of debt	<u>300,000</u>	<u>-</u>
Net Change in Fund Balances	51,371	-
Fund Balances, April 1	<u>-</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 51,371</u></u>	<u><u>\$ -</u></u>

AGENCY FUNDS

Cash Bond Agency—to account for the collection of bonds and deposits and payment to the contractors or other persons entitled to receive these funds.

Tax Account Agency—to account for the collection of current and delinquent property taxes, dog licenses and trailer fees and payment to the governmental units, funds or other persons entitled to receive these funds.

TYRONE TOWNSHIP
All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the year ended March 31, 2008

	Balances April 1, 2007	Additions	Deductions	Balances March 31, 2008
Cash Bond Fund				
Assets				
Cash equivalents, deposits and investments	\$ 5,121	\$ 11,577	\$ 10,717	\$ 5,981
Due from other funds	-	-	-	-
Total Assets	<u>\$ 5,121</u>	<u>\$ 11,577</u>	<u>\$ 10,717</u>	<u>\$ 5,981</u>
Liabilities				
Due to other funds	\$ 250	\$ 500	\$ -	\$ 750
Escrow deposits	4,871	11,077	10,717	5,231
Total Liabilities	<u>\$ 5,121</u>	<u>\$ 11,577</u>	<u>\$ 10,717</u>	<u>\$ 5,981</u>
Tax Account Fund				
Assets				
Cash equivalents, deposits and investments	\$ 36,146	\$ 3,499,699	\$ 3,526,153	\$ 9,692
Due from other funds	18,609	891	18,609	891
Due from other governmental units	-	7,100	-	7,100
Total Assets	<u>\$ 54,755</u>	<u>\$ 3,507,690</u>	<u>\$ 3,544,762</u>	<u>\$ 17,683</u>
Liabilities				
Accounts payable	\$ 802	\$ 24,295	\$ 22,624	\$ 2,473
Due to other funds	5,331	238,688	236,122	7,897
Due to other governmental units	48,622	3,762,199	3,803,508	7,313
Total Liabilities	<u>\$ 54,755</u>	<u>\$ 4,025,182</u>	<u>\$ 4,062,254</u>	<u>\$ 17,683</u>
<u>Totals - All Agency Funds</u>				
Assets				
Cash equivalents, deposits and investments	\$ 41,267	\$ 3,511,276	\$ 3,536,870	\$ 15,673
Due from other funds	18,609	891	18,609	891
Due from other governmental units	-	7,100	-	7,100
Total Assets	<u>\$ 59,876</u>	<u>\$ 3,519,267</u>	<u>\$ 3,555,479</u>	<u>\$ 23,664</u>
Liabilities				
Accounts payable	\$ 802	\$ 24,295	\$ 22,624	\$ 2,473
Due to other funds	5,581	239,188	236,122	8,647
Due to other governmental units	48,622	3,762,199	3,803,508	7,313
Escrow deposits	4,871	11,077	10,717	5,231
Total Liabilities	<u>\$ 59,876</u>	<u>\$ 4,036,759</u>	<u>\$ 4,072,971</u>	<u>\$ 23,664</u>

OTHER INFORMATION

TYRONE TOWNSHIP
Summary of 2007 Taxes Levied and Collected
For the year ended March 31, 2008

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections*</u>
<u>Ad Valorem Taxes</u>					
Kent County	\$107,825,520	5.39400	\$ 581,580	\$ 39,914	\$ 541,666
Kent District Library	107,825,520	0.88000	94,876	8,151	86,725
State Education Tax		6.00000			
Grant Public Schools	494,325		2,966	32	2,934
Kent City Community Schools	106,827,756		640,960	41,084	599,876
Sparta Area Schools	503,439		3,021	376	2,645
Total State Education Tax			646,947	41,492	605,455
School Districts					
Kent Intermediate School District	107,331,195	4.69030	503,405	32,409	470,996
Newaygo Intermediate School District	494,325	6.04900	2,990	32	2,958
Grand Rapids Community College	107,331,195	1.78650	191,737	12,344	179,393
Grant Public Schools:					
Other	494,325	7.46000	3,688	40	3,648
Operating	30,687	18.00000	552	-	552
Kent City Community Schools:					
Other	107,093,056	9.25000	990,591	74,200	916,391
Operating	25,100,098	17.70840	376,959	37,093	339,866
Sparta Area Schools:					
Other	503,439	6.85520	3,451	429	3,022
Operating	28,989	18.00000	522	-	522
Total School Districts			2,073,895	156,547	1,917,348
Tyrone Township	107,825,520				
Operating		0.99250	107,006	9,194	97,812
Fire protection		1.00000	107,818	9,263	98,555
Tax administration fees			36,076	2,597	33,479
Total Tyrone Township			250,900	21,054	229,846
Total Ad Valorem Taxes			<u>\$3,648,198</u>	<u>\$ 267,158</u>	<u>\$3,381,040</u>

(Continued)

TYRONE TOWNSHIP
Summary of 2007 Taxes Levied and Collected
For the year ended March 31, 2008

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections*</u>
<u>Tax Abatements</u>					
Industrial Facilities Taxes (PA 198)	\$ 997,400				
Kent County		2.69700	\$ 2,179	\$ -	\$ 2,179
Kent District Library		0.44000	355	-	355
State Education Tax					
Kent City Community Schools		6.00000	4,847	-	4,847
School Districts					
Kent Intermediate School District		2.34515	1,894	-	1,894
Grand Rapids Community College		0.89325	722	-	722
Kent City Community Schools:					
Other		4.62500	4,581	-	4,581
Operating		8.85420	7,082	-	7,082
Tyrone Township					
Operating		0.49625	401	-	401
Fire protection		0.50000	404	-	404
Total Industrial Facilities Taxes			<u>\$ 22,465</u>	<u>\$ -</u>	<u>\$ 22,465</u>

*Current collections include ad valorem taxes collected for and distributed to the Village of Kent City Downtown Development Authority. The following amounts were withheld from the various taxing units as shown and paid to the DDA.

Kent County	\$ 12,030
Grand Rapids Community College	3,984
Tyrone Township:	
Operating	<u>2,214</u>
Total DDA Capture	<u>\$ 18,228</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s A N D C O N S U L T A N T S

August 15, 2008

The Township Board
Tyrone Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Tyrone Township as of and for the year ended March 31, 2008. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in *more than a remote likelihood* that a *material misstatement of the financial statements* will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply GAAP and GASB in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Tyrone Township is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Tyrone Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Tyrone Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

- Inadequate monitoring of the activities of the Township Tax Account Agency Fund by a person independent of the Treasurer.
- Township officials or employees who lack the qualifications and training to fulfill certain required functions:
 1. The lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements in recording the Township's financial transactions or preparing its financial statements (including the notes to basic financial statements) in compliance with current GAAP and GASB requirements.
 2. The lack of knowledge and skills present to properly account for and disburse the receipts of the Tax Account Agency Fund.

This communication is intended solely for the information and use of management, the Township Board, others within the organization, and the Michigan Department of Treasury. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

Hungerford, Aldrin, Nichols & Carter, P.C.

CPAs AND CONSULTANTS

August 15, 2008

The Township Board
Tyrone Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Tyrone Township as of and for the year ended March 31, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated June 30, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated June 30, 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Tyrone Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by Tyrone Township management.

Entity-wide Financial Statements

1. \$300,000 to record the long-term debt obligation and \$270,638 to record the 2007-08 capital asset addition for the Township Hall improvement project.
2. \$27,550 to record 2007-08 depreciation expense on Township capital assets.

General Fund

1. \$11,510 and \$11,402 to reverse and accrue property taxes receivable at year end.
2. \$34,255 and \$32,952 to reverse and accrue State revenue sharing payments receivable at year end.
3. \$18,098 to classify prior year amounts due to the Township Tax Account Agency Fund remitted during the 2007-08 fiscal year.
4. \$7,897 to record the balance due from the Tax Account Agency Fund at March 31, 2008.
5. \$6,421 to classify payments on the Township installment purchase agreement to the proper expenditure accounts.

Fire Fund

1. \$11,277 and \$9,263 to reverse and accrue property taxes receivable at year end.
2. \$7,663 to reverse the prior year account payable for the Kent County 2006 fire assessment paid in April, 2007.

Disagreements with Management

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated August 15, 2008.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the Township's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation evaluation and documentation of the Township's significant areas of internal controls. Our findings and comments regarding the Township's internal control processes and procedures are detailed in Appendix A, attached to this letter.

Closing

This communication is intended solely for the information and use of the Tyrone Township Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
TYRONE TOWNSHIP
For the Year Ended March 31, 2008

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthroughs".

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of Tyrone Township are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the Township's internal controls, based on our observations during the 2007-08 audit process.

GENERAL CONTROLS

- The Township should complete a *documented* system of its accounting procedures and internal controls to insure that its operations are completed as designed and so third parties can review and monitor these policies to insure independent oversight of these processes.

BUDGETS

- Budget adoptions, amendments for all required funds
- Budget accounting principles consistent with actual transactions
- Documented authorization for all budget amendments

CASH

- Cash collection/receipting procedures
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
 1. **Tax Account Agency Fund disbursement checks should be reviewed by someone independent of the Treasurer's office. A monthly disbursement report listing checks written could be presented to the Township Board for review and/or reviewed by the Township Clerk on a regular basis.**
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
TYRONE TOWNSHIP
For the Year Ended March 31, 2008

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 1. **The Township Investment Policy should be reviewed annually by the Treasurer and the Township Board (or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in Township governance (a Township Board or Finance Committee member) should be responsible for reviewing Township investments on a regular basis to insure that the requirements of the Investment Policy are being followed.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
- Property tax billing/collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures\ol style="list-style-type: none;">- 1. **Checks written by the Township Treasurer for property tax disbursements should be presented to the Township Board for review and approval.**
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
 1. **Periodic independent review of the completed payroll preparation process, before payroll checks are printed and distributed, is recommended.**
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
TYRONE TOWNSHIP
For the Year Ended March 31, 2008

CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures
 1. **The Township Clerk should assume responsibility (now completed by the auditors) for the capital asset/depreciation lapse schedule.**

DEBT AND DEBT SERVICE

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

INFORMATIONAL TECHNOLOGY

- Internal control framework – policies and procedures
 1. **The Township should consider adopting a written set of policies and procedures to help establish a documented stable and secure IT environment.**
- Township personnel are prohibited from making changes to master files
- There are adequate physical controls over computer facilities
- Software users are prohibited from having access to source code
- Computer access is limited to specific persons and individuals have access to only applications or files that are necessary for their duties
 1. **A formalized process for granting and removing user access rights to Township software applications should be documented and approved. Users within each application should be given access to only those functions which are required to perform their regular duties.**
- Passwords are required to be complex and to be changed at regular intervals
 1. **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of applications and data files
 1. **Backups of data on Township software are performed on a regular basis and rotated offsite by a Township official. This process should be formalized and documented, and consideration should be give to encrypting or password protecting the backed up data.**
- There is a documented disaster recovery plan and it has been tested
 1. **There is no current documented plan.**